

UNIVERSITI TEKNOLOGI MARA

**THE SUSTAINABILITY OF
SHARIAH-COMPLIANT STATUS:
CAPITAL STRUCTURE OF
MALAYSIAN PROPERTY
COMPANIES**

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Dissertation submitted in partial fulfillment of the
requirements for the degree of
Master of Islamic Banking and Finance

Arshad Ayub Graduate Business School

December 2018

AUTHOR'S DECLARATION

We declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of our own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

We, hereby, acknowledge that we have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of our study and research.

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Structure of Malaysian Property Companies

Date : December 2018

ABSTRACT

Shariah-compliant Listed Property Companies (LPCs) perhaps has different preference in making a decision on the company's capital structure. This is to ensure the companies comply with the screening benchmark stated by Shariah Advisory Council (SAC) of the Securities Commission of Malaysia (SC). This study uses the regression of random effects models to identify the capital structure determinants and seeks if there are differences in capital structure between sustainable Shariah-compliant LPCs and non-sustainable Shariah-compliant LPCs in Malaysia. The sample consists of twenty-six (26) and forty-six (46) companies for sustainable Shariah-compliant LPCs and non-sustainable Shariah-compliant LPCs respectively. This study uses panel data which focusing on the five (5) year period between 2013 to 2017. There are three (3) models use in this study in order to achieve the research objectives, which are Model A (sustainable Shariah-compliant LPCs), Model B (non-sustainable Shariah-compliant LPCs) and Model C (all Shariah-compliant LPCs). Leverage as a dependent variable of this study while profitability, growth, liquidity, tangibility and size as independent variables. All independent variables significantly influence leverage except for size in the Model A. The findings indicate the Shariah-compliant LPCs must consider profitability, growth, liquidity, and tangibility in managing leverage of their companies to ensure they are not exceeding the thirty-three (33) percent benchmark set by SAC of SC. This study discovers that the result, lean towards the pecking order theory rather than trade-off theory. Surprisingly, this study reveals that there is no significant difference in the capital structure of sustainable and non-sustainable Shariah-compliant LPCs. The study is capable to provide information for property companies, especially Shariah-compliant LPCs in managing their leverage level. This study also gives insight to Shariah-compliant LPCs in Malaysia, especially for those who intend to maintain their Shariah status.

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